



# County of Los Angeles CHIEF EXECUTIVE OFFICE

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May 15, 2012

To: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

A handwritten signature in black ink, appearing to be "W. T. Fujioka", is written over the printed name and title.

## WASHINGTON, D.C. UPDATE ON BUDGET RECONCILIATION LEGISLATION

On May 10, 2012, the House passed H.R. 5652, budget reconciliation legislation, which repeals and replaces certain automatic across-the-board sequestration spending cuts that otherwise would take effect in 2013, pursuant to the Budget Control Act (BCA) of 2011. The bill passed mostly along party lines with all Democrats and only 16 Republicans voting against it. The Obama Administration strongly opposes H.R. 5652 mainly because it represents an "unbalanced" approach which "undermines critical domestic priorities, such as efforts to prevent hunger and support low-income families and communities; and to expand health care access and implement the Affordable Care Act (ACA)."

The Congressional Budget Office estimates that H.R. 5652 would reduce the net Federal deficit by \$242.8 billion over 10 years if the bill is enacted on July 1, 2012 or \$237.8 billion if the bill is enacted on October 1, 2012. The bill would reduce overall spending by an estimated \$310.0 billion to \$315.0 billion, which would be partially offset by the estimated \$72.2 billion cost of repealing BCA-required sequestration cuts of discretionary spending in Federal Fiscal Year (FFY) 2013. H.R. 5652 also reduces the overall FFY 2013 discretionary spending limit from \$1.047 trillion to \$1.019 trillion -- a reduction that is opposed by the Obama Administration and Congressional Democrats.

*"To Enrich Lives Through Effective And Caring Service"*

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As reported in greater detail in the May 4, 2012 Washington, D.C. update, the House budget reconciliation bill includes spending cuts of County interest, including:

- Repeal of the Prevention and Public Health Fund, which, under current law, is funded at \$1 billion a year through FFY 2017, gradually increasing to \$2 billion a year by FFY 2022;
- Extension of the ACA's reduction of Medicaid Disproportionate Hospital Share (DSH) allotments for an additional year through FFY 2022 (estimated \$4.2 billion cut);
- Reduction in Federal Medicaid matching funds generated by provider taxes by reducing the current 6 percent provider tax threshold to 5.5 percent beginning in FFY 2013 (estimated \$11.3 billion cut);
- Immediate repeal of ACA maintenance of effort requirements which prohibit states from reducing Medicaid eligibility for adults before 2014 and Medicaid and Children's Health Insurance Program eligibility for children before 2019;
- Repeal of grants authorized by the ACA to assist states in setting up health exchanges;
- New requirement that individuals fully repay any excess health exchange subsidies for the purchase of health insurance if their actual incomes are higher than their prior year's incomes on which the subsidies were calculated; and
- Reduction of an estimated \$35.8 billion in Federal spending on Supplemental Nutrition Assistance Program (SNAP), which was formerly known as Food Stamps, through cuts that include eliminating the current option for states to extend "broad-based" categorical eligibility to households that receive non-cash services through the Temporary Assistance for Needy Families Program (CalWORKs in California), eliminating a temporary increase in SNAP benefits that is due to expire on October 31, 2013 under current law, and reducing Federal matching funds for SNAP employment and training activities.

The Senate Democratic leadership has indicated that the Senate will not pass any budget resolution this year. Without the adoption of a budget resolution which includes budget reconciliation instructions, any legislation which cuts mandatory spending, such as the House-passed budget reconciliation bill, can be blocked on a Senate Floor through a "filibuster" that requires a 60-vote majority to overcome. This week, Senate Republicans plan to offer a number of budget measures, including the House-passed

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budget resolution, which led to the House passage of H.R. 5652, on the Senate Floor. The Democratic majority in the Senate is certain to vote down these Republican measures. As reported previously, Congress and the Administration are not expected to seriously negotiate major Federal budget issues, such as FFY 2013 appropriations, alternatives to the BCA-required sequestration cuts, an increase in the Federal debt ceiling, and the possible extension of expiring Bush tax cuts, until after the elections in November.

We will continue to keep you advised.

WTF:RA  
MR:MT:sb

c: All Department Heads  
Legislative Strategist